

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Marshall District Library	County Calhoun
Fiscal Year End 6/30/06	Opinion Date 8/11/2006	Date Audit Report Submitted to State 11/15/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	NA	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517)351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Aaron Stevens	License Number 1101024055	

**Marshall District Library  
Marshall, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2006**

Marshall District Library

Marshall, Michigan

June 30, 2006

BOARD OF TRUSTEES

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Marshall District Library

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Marshall District Library  
Marshall, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marshall District Library as of and for the year ended June 30, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Marshall District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall District Library as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

August 11, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

**Financial Reporting**

The Marshall District Library, (the "Library") has continued to revise and improve its financial report document as a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these new standards is to provide citizens, taxpayers, and library users with a better understanding of how the Library's money and other assets are managed.

The standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Library by introducing accounting rules and systems that are common in the private sector. This report represents a broad picture of the Library's financial status. Through the comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Library's financial health.

The Library administration's discussion and analysis of financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the Library's financial statements which immediately follow this section.

**Financial Highlights**

As discussed in further detail in this section, the following represents the most significant financial highlights for the year ended June 30, 2006:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$1,120,817 (net assets) at the government-wide level.
- The Library's total net assets increased by \$154,964, as a result of current year activity at the government-wide level. This increase was primarily due to the investment of operating tax revenues in additional public computer workstations and expanded circulating library collections.
- At the close of the fiscal year, the Library's governmental funds reported a combined fund balance of \$519,987.
- Interest income was higher than anticipated due to an increase in available funds for investing and slightly favorable interest rates.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Marshall District Library as a whole and present a longer-term view of the Library's finances. This long-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Marshall District Library in more detail than the government-wide financial statements by providing information about the Library's most significant funds.

Marshall District Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

**The Library as a Whole**

The following table shows, in condensed format, the net assets as of June 30, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current assets	\$ 546,185	\$ 412,642
Capital assets, net	<u>2,299,744</u>	<u>2,337,464</u>
Total assets	2,845,929	2,750,106
<b>Liabilities</b>		
Current liabilities	180,903	175,754
Noncurrent liabilities	<u>1,544,209</u>	<u>1,608,449</u>
Total liabilities	1,725,112	1,784,253
<b>Net Assets</b>		
Invested in capital assets, net of related debt	633,467	612,464
Restricted	56,678	42,246
Unrestricted	<u>430,672</u>	<u>311,143</u>
<b>Total net assets</b>	<b><u>\$ 1,120,817</u></b>	<b><u>\$ 965,853</u></b>

The Library's total net assets were \$1,120,817 at June 30, 2006, an increase of \$154,964 over the total net assets at the end of the previous fiscal year. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$430,672 at the end of the fiscal year, an increase of \$119,529 over the previous year end. The net assets invested in capital assets were at \$633,467, an increase of \$21,003 over the previous fiscal year. These improved balances relate directly to the increased revenue generated as a result of the voters' passage of an increased .693 mills of operating millage in November 2004, to higher than expected interest income on investments, and to monetary gifts received from community members in support of library programs and services.

The following table shows the changes in fund balances during the current and previous years.

	<u>2006</u>	<u>2005</u>
<b>Revenues</b>		
Program revenue:		
Charges for services	\$ 19,222	\$ 18,779
Operating grants and contributions	61,768	21,275
General Revenue:		
Property taxes	1,012,092	955,110
State shared revenues	26,915	29,740
Penal fines	63,724	64,618
Interest earnings	19,216	6,054
Miscellaneous	<u>5,924</u>	<u>4,193</u>
Total revenues	1,208,861	1,099,769
<b>Program Expenses</b>		
Library services/recreation and cultural	900,690	748,642
Other expense	1,124	1,895
Interest on long-term debt	<u>152,083</u>	<u>93,688</u>
Total expenses	<u>1,053,897</u>	<u>844,225</u>
<b>Change in Net Assets</b>	<b><u>\$ 154,964</u></b>	<b><u>\$ 255,544</u></b>

## Marshall District Library

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

#### **Governmental Activities**

The Library's governmental revenues totaled \$1,208,861 with the greatest revenue source being property taxes levied by the district. Property taxes make up approximately 84 percent of total governmental revenue.

The Library incurred expenses of \$1,053,897 during the year. As a special purpose government, substantially all of the governmental expenses incurred, other than expenses related to the repayment of debt, are associated with the library service function.

#### **The Library's Funds**

The analysis of the Library's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about specific funds, not the Marshall District Library as a whole. The Marshall District Library's Board of Trustees may create funds to help manage money for specific purposes as well as to show accountability for certain activities. The Library's major funds for the fiscal year ended June 30, 2006 were the General Fund, the Hughes Trust Fund, and the Debt Service Fund.

The General Fund pays for the Library's governmental services. The sole service provided during the fiscal year was library service, which incurred expenditures of \$863,520 for the fiscal year. The Hughes Trust Fund is used to supplement the General Fund operations, and the revenues may only be expended on goods or services allowed by the trust. The Hughes Trust Fund incurred expenditures of \$1,124 during the fiscal year. Money transferred from the Hughes account to the operating fund totaled \$6,812 for purchases in accordance with donors' wishes. The Debt Service Fund pays the principal and interest as it becomes due for the Library's General obligation Bonds payable. The Library refunded bonds during the fiscal year resulting in an improved interest rate on long term debt.

#### **Budgetary Highlights**

During this fiscal year, the Marshall District Library expanded services, programs and collections to respond to the needs of district residents. As a result of additional expenditures on the delivery of library services, statistics show a 16.5% increase in library card holders, an increase of 10% in the circulation of library materials, and that visits to the library increased by 133% over the previous fiscal year.

The Library's General Fund budget was amended throughout the fiscal year, but not significantly. Total budgeted revenues did not change from the original amounts budgeted. Total budgeted expenditures were increased by approximately 3.5% of the original amounts budgeted.

Actual revenues were approximately 4% higher than the final budget. The most significant variance in the revenue line items was noted in property taxes. Because a local business had an IFT certificate revoked, the Library received approximately \$20,000 in previously abated taxes that was not anticipated.

Although the final budgeted amounts for expenditures in the General Fund were exceeded by actual expenditures, in variance for total expenditures was only approximately 2%.

At the end of the fiscal year the Marshall District Library finds itself in a favorable financial position with increased funding available for key services and investment potential for future needs.

#### **Capital Assets and Debt Administration**

At the end of the fiscal year, the Library had \$2,299,744 invested in land, building and improvements, equipment, furniture, and books (net of accumulated depreciation). The main capital assets added were \$14,459 in building improvements, \$16,626 in equipment and furniture, and \$90,851 in collections (i.e., books, periodicals, audio, video, etc.).



Marshall District Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

On March 28, 2006, the Library refunded a portion of the 1996 Building and Site general obligation bonds which are now payable May 1, 2007 through May 1, 2016. As a result of the advance refunding, the Library decreased its total debt service requirements by \$58,434 which resulted in an economic gain of \$48,492. The ten year refunded General Obligation Bonds for the library building project in 1996 had a balance of \$1,590,000 on June 30, 2006.

The only other long-term liability the Library had at June 30, 2006 was for compensated absences (as detailed in Note F) in the amount of \$19,398.

**Economic Factors and Next Year's Budget**

Subsequent to the end of the fiscal year, the Library Board of Trustees designated selected fund balances for ongoing building maintenance/repair, purchase of a new library automation system, and building interior improvements. Significant funds were designated for the purchase of additional public access computer equipment.

**Contacting the Library's Management**

This financial report is intended to provide our citizens, taxpayers, and library users with a general overview of the Library's finances and demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library Director's office at 124 West Green Street, Marshall, Michigan 49068.

## **BASIC FINANCIAL STATEMENTS**

Marshall District Library

STATEMENT OF NET ASSETS

June 30, 2006

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 357,645
Investments	157,108
Accrued interest receivable	859
Due from other governmental units	25,896
Prepaid expenses	<u>4,677</u>
Total current assets	546,185
Noncurrent assets	
Capital assets, not being depreciated	11,000
Capital assets, net of accumulated depreciation	<u>2,288,744</u>
Total noncurrent assets	<u>2,299,744</u>
TOTAL ASSETS	2,845,929
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	8,194
Other accrued liabilities	18,004
Accrued interest payable	13,239
Current portion of compensated absences	6,466
Current portion of long-term debt	<u>135,000</u>
Total current liabilities	180,903
Noncurrent liabilities	
Noncurrent portion of compensated absences	12,932
Noncurrent portion of long-term debt	<u>1,531,277</u>
Total noncurrent liabilities	<u>1,544,209</u>
TOTAL LIABILITIES	<u>1,725,112</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	633,467
Restricted for:	
Trust activities	5,750
Debt service	50,928
Unrestricted	<u>430,672</u>
TOTAL NET ASSETS	<u><u>\$ 1,120,817</u></u>

See accompanying notes to financial statements.

Marshall District Library  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Recreation and cultural	\$ 900,690	\$ 19,222	\$ 61,768	\$ (819,700)
Other expense	1,124	-	-	(1,124)
Interest and costs on long-term debt	152,083	-	-	(152,083)
Total governmental activities	<u>\$ 1,053,897</u>	<u>\$ 19,222</u>	<u>\$ 61,768</u>	(972,907)
General revenues:				
Property taxes				1,012,092
State shared revenue				26,915
Penal fines				63,724
Investment earnings				19,216
Miscellaneous				<u>5,924</u>
Total general revenues				<u>1,127,871</u>
Change in net assets				154,964
Net assets, beginning of the year				<u>965,853</u>
Net assets, end of the year				<u>\$ 1,120,817</u>

See accompanying notes to financial statements.

## Marshall District Library

## GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2006

	General	Special Revenue Hughes Trust	Debt Service 2006 Refunding Bonds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 337,490	\$ 14,405	\$ -
Investments	1,573	91,490	64,045
Accrued interest receivable	-	859	-
Due from other funds	-	-	122
Due from other governmental units	25,896	-	-
Prepaid expenditures	4,677	-	-
<b>TOTAL ASSETS</b>	<b>\$ 369,636</b>	<b>\$ 106,754</b>	<b>\$ 64,167</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 8,194	\$ -	\$ -
Accrued payroll	17,112	-	-
Other accrued liabilities	892	-	-
Due to other funds	122	-	-
<b>TOTAL LIABILITIES</b>	<b>26,320</b>	<b>-0-</b>	<b>-0-</b>
<b>FUND BALANCES</b>			
Reserved for			
Hughes nonexpendable trust	-	-	-
Unreserved			
Designated for debt service	-	-	64,167
Undesignated, reported in			
General fund	343,316	-	-
Special revenue funds	-	106,754	-
<b>TOTAL FUND BALANCES</b>	<b>343,316</b>	<b>106,754</b>	<b>64,167</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 369,636</b>	<b>\$ 106,754</b>	<b>\$ 64,167</b>

See accompanying notes to financial statements.

Nonmajor Governmental Fund (Hughes Permanent Fund)	Total Governmental Funds
\$ 5,750	\$ 357,645
-	157,108
-	859
-	122
-	25,896
-	4,677
<u>\$ 5,750</u>	<u>\$ 546,307</u>
\$ -	\$ 8,194
-	17,112
-	892
-	122
-0-	26,320
5,750	5,750
-	64,167
-	343,316
-	106,754
<u>5,750</u>	<u>519,987</u>
<u>\$ 5,750</u>	<u>\$ 546,307</u>

Marshall District Library

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2006

**Total fund balance - governmental funds** **\$ 519,987**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 3,791,125	
Accumulated depreciation is	<u>(1,491,381)</u>	
Capital assets, net		2,299,744

Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the Governmental Funds Balance Sheet.  
Long-term liabilities at year-end consist of:

General obligation bonds	1,590,000	
Deferred amounts, net of accumulated amortization	76,277	
Accrued interest payable	13,239	
Compensated absences	<u>19,398</u>	
		<u>(1,698,914)</u>

**Net assets of governmental activities** **\$ 1,120,817**

See accompanying notes to financial statements.

Marshall District Library

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2006

	General	Special Revenue Hughes Trust	Debt Service 2006 Refunding Bonds
REVENUES			
Taxes	\$ 789,167	\$ -	\$ 222,925
Intergovernmental	40,531	-	-
Fines and forfeits	63,724	-	-
Charges for services	19,222	-	-
Interest	13,463	3,246	2,313
Other	7,709	46,367	-
TOTAL REVENUES	933,816	49,613	225,238
EXPENDITURES			
Current			
Recreation and cultural	737,637	-	-
Other	-	1,124	-
Debt service			
Principal	-	-	125,000
Interest and fiscal charges	-	-	103,423
Capital outlay	125,883	-	-
TOTAL EXPENDITURES	863,520	1,124	228,423
EXCESS OF REVENUES OVER EXPENDITURES	70,296	48,489	(3,185)
OTHER FINANCING SOURCES (USES)			
Transfers in	6,816	194	-
Transfers out	-	(6,816)	-
Bond proceeds	-	-	1,590,000
Bond premium	-	-	67,576
Transfer to escrow agent	-	-	(1,641,095)
TOTAL OTHER FINANCING SOURCES (USES)	6,816	(6,622)	16,481
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	77,112	41,867	13,296
Fund balances, beginning of year	266,204	64,887	50,871
Fund balances, end of year	\$ 343,316	\$ 106,754	\$ 64,167

See accompanying notes to financial statements.



Nonmajor Governmental Fund (Hughes Permanent Fund)	Total Governmental Funds
\$ -	\$ 1,012,092
-	40,531
-	63,724
-	19,222
194	19,216
-	54,076
194	1,208,861
-	737,637
-	1,124
-	125,000
-	103,423
-	125,883
-0-	1,093,067
194	115,794
-	7,010
(194)	(7,010)
-	1,590,000
-	67,576
-	(1,641,095)
(194)	16,481
-0-	132,275
5,750	387,712
\$ 5,750	\$ 519,987

Marshall District Library

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

**Net change in fund balances - total governmental funds** \$ 132,275

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 121,936	
Depreciation expense	<u>(159,656)</u>	
Excess of depreciation expense over capital outlay		(37,720)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Net effect of long-term debt issuance and related items	1,523,723	
Bond principal retirement	125,000	
Bond and loan proceeds	<u>(1,590,000)</u>	
Excess of bond principal retirement over bond proceeds		58,723

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	1,136	
Decrease in accrued compensated absences	<u>550</u>	
		<u>1,686</u>

**Change in net assets of governmental activities** \$ 154,964

See accompanying notes to financial statements.

Marshall District Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service and special financing relationships. The library is a District library formed pursuant to the District Library Establishment Act (1989 Public Act 24) by an agreement between the City of Marshall and the townships of Eckford, Fredonia, Marengo and Marshall. The Library has a separate tax millage and governing board.

The Marshall District Library's goal is to provide materials and services, which will furnish opportunities for educational, informational, recreational, and cultural needs of the community. The Library's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present all financial activities of the Marshall District Library. The Marshall District Library has no activities that would be classified as component units.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Library as a whole.

The statement of activities presents the direct functional expenses of the Library and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the Library.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Library's individual major funds and aggregated nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major funds of the Library are:

- a. General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources not accounted for in other funds. General fund activities are financed by revenue from general property taxes, penal fines, and other sources.
- b. 2006 Refunding Bonds - The 2006 Refunding Bonds fund is a debt service fund used to account for the annual payment of principal, interest and expenses in connection with long-term debt for the Library.
- c. Hughes Trust - The Hughes Trust Fund is a special revenue fund used to account for donations to the Library and the proper expense of these donations.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**3. Measurement Focus**

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**4. Basis of Accounting**

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements used the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Library before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenses.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities in the current period. Revenues susceptible to accrual include property taxes, and state aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

**5. Budgets and Budgetary Accounting**

Budgets shown as required supplementary information to the financial statements were prepared on a basis consistent with the basis used to reflect actual results. The Library employs the following procedures in establishing the budgetary data reflected in the financial statements.

The Library does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

- a. The Library prepares the proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and resources to finance them.
- b. Prior to incurring significant expenditures, the budget is legally enacted through Library Board action.
- c. The budget is legally adopted at the function level and maintained at the function level.
- d. Budgeted amounts are reported as originally adopted and as amended by the Library Board during the year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of money market checking, savings accounts, and pooled investment trust.

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase.

7. Receivables

Receivables consist of penal fines, interest, and other amounts due from organizations or other governments.

8. Property Taxes

The participating City and Townships levy and collect property taxes for the Library. As the Library tax is collected it is remitted by the City and Township Treasurers. At March 1 each year, the City and Townships settle their delinquent taxes with the County Treasurer and the unpaid real property tax is remitted to the Library by the County Treasurer in Calhoun County. Delinquent personal property taxes are retained by the Treasurers for subsequent collection. The Library is permitted to levy up to \$3 per \$1,000 of assessed valuation on property within the District. The voters approved a levy of 1.693 mills for general operating and 1.000 mills for building debt. The building debt is authorized for twenty (20) years commencing February 13, 1997. For the year ended June 30, 2006, the Library levied 1.6727 mills for operations and .4500 mills for building debt, respectively.

9. Capital Assets

Capital assets include land, buildings, equipment, and collections and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an initial individual cost of \$500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in the governmental funds and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 40 years
Equipment and furniture	3 - 20 years
Books and collections	5 years

10. Compensated Absences

In accordance with the Library personnel policies, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of June 30, 2006, including related payroll taxes, is recorded in the government-wide financial statements.

Marshall District Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**11. Long-Term Obligations**

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the General Fund for a payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

**12. Interfund Transactions**

During the course of normal operations, the Library has numerous transactions between funds, including expenditures and transfers of resources to provide services and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

**13. Comparative Data**

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Marshall District Library is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Marshall District Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it.

Deposits of the Library are at federally insured banks located in the State of Michigan with all accounts maintained in the name of Marshall District Library. As of June 30, 2006, the carrying amount of the Library's deposits was \$357,595 and the bank balance was \$371,205, of which \$220,154 was covered by Federal depository insurance. The balance of \$151,051 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Library held as cash, cash equivalents, and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash, cash equivalents, and investments were substantially higher at these peak periods than at year-end.

As of June 30, 2006, the carrying amount and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$ 237,044	\$ 250,654
Savings	20,551	20,551
Certificates of deposit	<u>100,000</u>	<u>100,000</u>
<b>TOTAL</b>	<b><u>\$ 357,595</u></b>	<b><u>\$ 371,205</u></b>

Investments

As of June 30, 2006, the carrying and market value for the investment is as follows:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity (Days)</u>
Uncategorized pooled investment funds			
Public Funds Investment Trust	\$ 65,618	\$ 65,618	Less than 90 days
Certificates of deposit	<u>91,490</u>	<u>91,490</u>	263 days
	<b><u>\$ 157,108</u></b>	<b><u>\$ 157,108</u></b>	

The cash and cash equivalents captions in the basic financial statements includes \$50 in imprest cash.

Marshall District Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2006, the Library's investment in the Public Funds Investment Trust was given an AAA rating and the certificates of deposit were not rated.

Interest rate risk

The Library has adopted a policy that indicates the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of credit risk

The Library has adopted a policy that indicates the Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The Library has adopted a policy that indicates the Library will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty the Library will not be able to recover the value of its investments that are in possession of an outside party, by annually requiring the custodial institution to provide a copy of their most recent report on internal controls.

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2006, are as follows:

Due to 2006 Refunding Bonds Fund from:	
General Fund	<u>\$ 122</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE D: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfer to General Fund from:	
Hughes Trust Fund	<u>\$ 6,816</u>

Transfer to Hughes Trust Fund from:	
Nonmajor governmental fund	<u>\$ 194</u>



## Marshall District Library

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Restated Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Capital assets, being depreciated				
Buildings and additions	2,600,500	14,459	-	2,614,959
Equipment and furniture	154,800	16,626	-	171,426
Collections	<u>902,889</u>	<u>90,851</u>	<u>-</u>	<u>993,740</u>
Total capital assets, being depreciated	3,658,189	121,936	-0-	3,780,125
Less accumulated depreciation for:				
Buildings and additions	( 503,439 )	( 67,576 )	-	( 571,015 )
Equipment and furniture	( 106,697 )	( 17,183 )	-	( 123,880 )
Collections	<u>( 721,589 )</u>	<u>( 74,897 )</u>	<u>-</u>	<u>( 796,486 )</u>
Total accumulated depreciation	<u>( 1,331,725 )</u>	<u>( 159,656 )</u>	<u>-0-</u>	<u>( 1,491,381 )</u>
Net capital assets, being depreciated	<u>2,326,464</u>	<u>( 37,720 )</u>	<u>-0-</u>	<u>2,288,744</u>
Capital assets, net	<u>\$ 2,337,464</u>	<u>\$ ( 37,720 )</u>	<u>\$ -0-</u>	<u>\$ 2,299,744</u>

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portions) of the Library for the year ended June 30, 2006.

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>	<u>Amounts Due Within One Year</u>
1996 Building and Site Bonds	\$ 1,725,000	\$ -	\$ 1,725,000	\$ -0-	\$ -
2006 Refunding Bonds	-	1,590,000	-	1,590,000	135,000
Compensated absences	<u>19,948</u>	<u>-</u>	<u>550</u>	<u>19,398</u>	<u>6,466</u>
	1,744,948	1,590,000	1,725,550	1,609,398	141,466
Add deferred amounts on refunding	<u>-</u>	<u>83,905</u>	<u>7,628</u>	<u>76,277</u>	<u>-</u>
Total	<u>\$ 1,744,948</u>	<u>\$ 1,673,905</u>	<u>\$ 1,733,178</u>	<u>\$ 1,685,675</u>	<u>\$ 141,466</u>

Marshall District Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE F: LONG-TERM DEBT - CONTINUED**

Significant details regarding outstanding long-term debt (including current portions) are presented below.

**General Obligation Bonds**

\$1,590,000 Refunding Bonds dated March 28, 2006, due in annual installments ranging from \$135,000 to \$180,000 through May 1, 2016, with interest of 3.50 to 4.75 percent, payable semi-annually.

\$ 1,590,000

The annual requirements to pay the debt principal and interest outstanding are presented below.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 135,000	\$ 73,278
2008	140,000	62,400
2009	145,000	57,150
2010	150,000	57,713
2011	155,000	46,088
2012-2016	<u>865,000</u>	<u>124,439</u>
	<u>\$ 1,590,000</u>	<u>\$ 415,068</u>

**Advance Refunding - Current**

On March 28, 2006 the Library defeased the portion of the 1996 Building and Site Bonds, which are due and payable May 1, 2006 through May 1, 2016. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The Library issued General Obligation 2006 Refunding Bonds in the amount of \$1,590,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Library's financial statements. At June 30, 2006, bonds due and payable May 1, 2007 through May 1, 2016 for the 1996 Building and Site Bonds in the amount of \$1,600,000 are considered defeased. The amount defeased exceeded the amount transferred to the escrow agent by \$83,905. This amount is being netted against the new debt and amortized over the life of the new debt, which is the same as the life of the refunded debt.

As a result of the advance refunding, the Library decreased its total debt service requirements by \$58,434, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$48,492.

**Compensated Absences** - In accordance with Library personnel policies, individual employees have rights upon termination of employment to receive payment for unused vacation and sick leave under the formulas and conditions specified in the personnel policies. The dollar amount of these rights including related payroll taxes amounted to \$19,398 for compensated absences at June 30, 2006. This amount has been recorded in the government-wide financial statements.

**NOTE G: RISK MANAGEMENT**

The Library is exposed to various risks of loss for liability, property, employee dishonesty, and employer's liability for which the Library carries commercial insurance. The Library also participates in a State Pool, the Michigan Municipal Workers Compensation Fund, with other municipalities for worker's compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Library has no liability for additional assessments based on the claims filed against the pools nor do they have any right to dividends.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE H: DEFINED BENEFIT PENSION PLAN**Plan Description

The Library participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible employees of the Library. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Library Board. In accordance with the former Director's contract, the Library contributes the amounts necessary to fund the system. This plan only covers the former Library Director and there were no contributions for year end June 30, 2006.

Annual Pension Cost

For the year ended June 30, 2006, the Library's annual pension cost of \$-0- for the plan was equal to the Library's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Actual required contributions are based on current monthly payroll times an actuarially computed employer contribution rate. Significant actuarial assumptions used include a (a) 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will increase 2.5% each year after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty-two (32) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial value of assets	\$ 217,126	\$ 242,933	\$ 245,374
Actuarial accrued liability (AAL)	218,938	242,625	277,505
Unfunded (Overfunded) AAL	1,812	( 308 )	32,131
Funded ratio	99%	100%	88%
Covered payroll	66,282	66,385	-0-
UAAL as a percentage of covered payroll	3%	0%	N/A

	Year Ended June 30,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual pension cost	\$ 7,981	\$ 7,589	\$ -0-
Percentage of APC contributed	100%	100%	N/A
Net pension obligation	-	-	-

Marshall District Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE I: DEFINED CONTRIBUTION PLAN**

Beginning July 1, 2005, the Library offers a Defined Contribution Plan created in accordance with Internal Revenue Code Section 401 to its employees. The plan is managed by ICMA (International City/County Management Association). For this plan, the Library contributes 5% of an employee's compensation for all eligible enrolled employees. In addition, the Library matches dollar for dollar the contributions of the individual employees up to 5%, if they choose to contribute.

For the year ended June 30, 2006, the Library contributed a combined amount of \$20,335 to the defined contribution plan for its employees.

**NOTE J: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

The Library provides medical coverage in accordance with current policies to eligible retirees and dependents at no cost to the participants. To qualify, retirees must be receiving pension payments from a retirement system maintained by the Library or another system approved by the Library. The expense is recorded as incurred. Currently, the Library has one employee participating in the benefits and the expense for the year ended June 30, 2006 was \$15,539.

**UPCOMING REPORTING CHANGE**

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

**NOTE K: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules presented as required supplementary information, the Library's budgeted expenditures in the General and major Special Revenue Funds have been shown at the activity level. The approved budgets of the Library have been adopted at the function level.

During the year ended June 30, 2006, the Library incurred expenditures in the General and Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Recreation and cultural	\$ 735,195	\$ 737,637	\$ 2,442
Capital outlay	111,500	125,883	14,383
Special Revenue Fund			
Other	-	1,124	1,124
Transfers out	-	6,816	6,816

Marshall District Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE L: FUND BALANCE RESERVES AND DESIGNATIONS**

Reserved fund balances are used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance and net assets indicates that portion of the fund equity which the Library has set aside for specific purposes.

The following is a fund balance reserve as of June 30, 2006:

Hughes Permanent Fund	
Reserved for trust activities	\$ 5,750

The following is a fund balance designation as of June 30, 2006:

2006 Refunding Bonds Fund	
Designated for debt service	\$ 64,129

**NOTE M: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source preclude their use for unrestricted purposes. The following are the net asset restrictions as of June 30, 2006:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for	
Recreation and cultural	
Trust activities	\$ 5,750
Debt service	50,890
	<u>\$ 56,640</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

## Marshall District Library

## General Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes	\$ 766,674	\$ 766,674	\$ 789,167	\$ 22,493
Intergovernmental				
State	28,496	28,496	26,915	(1,581)
Local	12,533	12,533	13,616	1,083
Library fees and fines	18,000	18,000	19,222	1,222
Interest	4,000	4,000	13,463	9,463
Fines and forfeits	66,274	66,274	63,724	(2,550)
Other	2,000	2,000	7,709	5,709
<b>TOTAL REVENUES</b>	<b>897,977</b>	<b>897,977</b>	<b>933,816</b>	<b>35,839</b>
<b>EXPENDITURES</b>				
Current				
Recreation and cultural				
Salaries and wages	435,784	432,684	439,311	(6,627)
Fringe benefits	120,411	120,411	122,636	(2,225)
Supplies	16,500	18,000	21,629	(3,629)
Contracted services	47,500	57,100	44,047	13,053
Insurance	7,000	7,000	5,971	1,029
Communications	6,000	6,000	5,643	357
Utilities	31,000	31,000	33,882	(2,882)
Programming	6,000	6,000	6,347	(347)
Transportation and training	7,000	7,000	7,272	(272)
Repairs and maintenance	22,500	37,500	35,358	2,142
Other	12,500	12,500	15,541	(3,041)
Total recreation and cultural	712,195	735,195	737,637	(2,442)
Capital outlay				
Books, other collections, and memberships	88,000	88,000	90,851	(2,851)
Equipment	7,000	12,500	23,794	(11,294)
Building improvements	11,000	11,000	11,238	(238)
Total capital outlay	106,000	111,500	125,883	(14,383)
<b>TOTAL EXPENDITURES</b>	<b>818,195</b>	<b>846,695</b>	<b>863,520</b>	<b>(16,825)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>79,782</b>	<b>51,282</b>	<b>70,296</b>	<b>19,014</b>
Fund balance, beginning of year	266,204	266,204	266,204	-0-
Fund balance, end of year	\$ 345,986	\$ 317,486	\$ 336,500	\$ 19,014

## Marshall District Library

## Hughes Trust Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Interest	\$ -	\$ -	\$ 3,246	\$ 3,246
Other				
Contributions	-	-	46,367	46,367
TOTAL REVENUES	-0-	-0-	49,613	49,613
EXPENDITURES				
Current				
Recreation and cultural	-	-	-	-0-
Other	-	-	1,124	(1,124)
TOTAL EXPENDITURES	-0-	-0-	1,124	(1,124)
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	48,489	48,489
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	194	194
Transfers out	-	-	(6,816)	(6,816)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	(6,622)	(6,622)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-0-	-0-	41,867	41,867
Fund balance, beginning of year	64,887	64,887	64,887	-0-
Fund balance, end of year	<u>\$ 64,887</u>	<u>\$ 64,887</u>	<u>\$ 106,754</u>	<u>\$ 41,867</u>



Principals

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**MANAGEMENT LETTER**

To the Honorable President and  
Board of Trustees  
Marshall District Library  
Marshall, Michigan

As you know, we have recently completed our audit of the records of the Marshall District Library as of and for the year ended June 30, 2006. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal controls and our discussions with management. These weaknesses are not considered reportable conditions in relation to the basic financial statements of the Marshall District Library but may be areas of possible improvement.

1. The Library circulation desk should reconcile cash receipts with a summary or report of daily activity.

During our discussions with management, we noted the circulation desk does not reconcile monies received for Library services to any type of report or receipt book at the end of the day. This condition was also noted and reported for the year ended June 30, 2005.

It is our understanding that the Library has purchased a cash register to facilitate the reconciliation process, but as of the date of our audit fieldwork, the cash register was not yet placed in service.

We suggest the Library establish a receipting system where the daily receipts for services are reconciled to a report or receipt copies to better track and control the cash receipts collected.

2. Budgets should be monitored and amended when necessary.

As noted in the basic financial statements, the total expenditures of the Special Revenue Fund exceeded the amounts appropriated. This condition was also noted and reported for the year ended June 30, 2005.

The Michigan Public Act 621 of 1978, as amended, provides that the Library adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We suggest the Library monitor expenditures against adopted budgets and make appropriate budget amendments in a timely fashion and before year-end.

3. The Library should request additional information from the participating municipalities related to property tax receipts.

During our analysis of property tax revenue for the General and Debt Service Funds, we noted that the supporting documentation from the participating governmental entities that accompanies the property tax collections (if any) does not always provide the necessary details for the Library to be able to appropriately receipt the revenue into the general ledger. Several of the remittances of property tax collections did not provide the appropriate breakdown between the operating revenue and the debt service revenue. This condition was also noted and reported for the year ended June 30, 2005.

It is our understanding that supporting documentation obtained from three of the five participating municipalities has improved over the past year, however the documentation obtained from the other two participant municipalities has not.

We suggest that the Library request a remittance advice accompany all future property tax collections that provide sufficient details for the Library to receipt the revenue into the appropriate funds. We also suggest that the Library request additional information from the participating governmental entities, such as the taxable values for any IFT or CFT tax rolls, DDA or LDFA captures, and any Board of Review adjustments that are made throughout the year. The Library should calculate the amount of tax revenue that they should be receiving from each of the entities and compare that to the amounts actually received.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated August 11, 2006.

This report is intended solely for the information of management and members of the Board of the Marshall District Library and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation to us during our audit. We are available to discuss any issues with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

August 11, 2006